

**Senate Bill No. 1996**

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Passed the Senate      August 25, 2000

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*Secretary of the Senate*

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Passed the Assembly      August 21, 2000

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*Chief Clerk of the Assembly*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2000, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

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## CHAPTER \_\_\_\_\_

An act to amend Section 4000.37 of, and to add Section 5604.5 to, the Vehicle Code, relating to vehicles.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1996, Speier. Financial responsibility.

(1) Under existing law, a specified notice is required to be given to the buyer of a vehicle under a conditional sales contract that is required to be printed in contrasting red ink informing the buyer that it is his or her responsibility to obtain liability insurance and that the insurance acquired by the lienholder does not provide liability coverage and does not satisfy the financial responsibility laws of California.

This bill would require licensed vehicle dealers who sell a dealer-required insurance policy at the time of the vehicle transfer and the policy does not insure the transferee against damages resulting from ownership or operation of the vehicle arising by reason of personal injury or death of any person, or from damage to property, to notify the transferee of that fact in writing on a specified document, other than the insurance policy. The bill would require the document to be signed and an exact copy to be furnished to the transferee by the dealer at the time of signature. The bill would require the document to contain a specified notice in English and Spanish with the Spanish translation version of the document to be developed by the Department of Motor Vehicles. The bill would require the department, upon request, to make available a translation of the specified notice in any of the languages used in the most recent statewide voter pamphlet.

Because failure to provide notice in these documents to certain transferees would be a crime, this bill would impose a state-mandated local program by expanding the scope of an existing crime.

(2) Under existing law, the department is required to require an applicant for renewal of a motor vehicle



registration to submit a specified form, as developed by the department, regarding the applicant's motor vehicle liability insurance or provide certain documentation regarding alternative evidence of financial responsibility.

This bill, would authorize the Director of Motor Vehicles to authorize an insurer to issue a form that does not conform to the form specified above if the director determines that the company issuing the alternate form is or will begin reporting specified insurance information to the department through electronic transmission and approves the contents of the alternate form as providing an adequate means for persons to prove compliance with the financial responsibility laws.

The bill would authorize, for use in lieu of other evidence of financial responsibility, an evidence form that indicates coverage is provided by a charitable risk pool, as specified, if the registered owner of the vehicle is a nonprofit charitable organization that is exempt from taxation under federal law.

(3) This bill would incorporate additional changes in Section 4000.37 of the Vehicle Code proposed by SB 1403, to be operative only if this bill and SB 1403 are enacted and become effective on or before January 1, 2001, each bill amends Section 4000.37 of the Vehicle Code, and this bill is enacted last.

(4) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

*The people of the State of California do enact as follows:*

SECTION 1. Section 4000.37 of the Vehicle Code is amended to read:

4000.37. (a) Upon application for renewal of registration of a motor vehicle, the department shall require that the applicant submit either a form approved by the department, but issued by the insurer, as specified

in paragraph (1), (2), or (3), or any of the items specified in paragraph (4), as evidence that the applicant is in compliance with the financial responsibility laws of this state.

(1) For vehicles covered by private passenger automobile liability policies and having coverage as described in subdivisions (a) and (b) of Section 660 of the Insurance Code, or policies and coverages for private passenger automobile policies as described in subdivisions (a) and (b) of that section and issued by an automobile assigned risk plan, the form shall include all of the following:

(A) The primary name of the insured covered by the policy or the vehicle owner, or both.

(B) The year, make, and vehicle identification number of the vehicle.

(C) The name, the National Association of Insurance Commissioners (NAIC) number, and the address of the insurance company or surety company providing a policy or bond for the vehicle.

(D) The policy or bond number, and the effective date and expiration date of that policy or bond.

(E) A statement from the insurance company or surety company that the policy or bond meets the requirements of Section 16056 or 16500.5.

(2) For vehicles covered by commercial or fleet policies, and not private passenger automobile liability policies, as described in paragraph (1), the form shall include all of the following:

(A) The name and address of the vehicle owner or fleet operator.

(B) The name, the NAIC number, and the address of the insurance company or surety company providing a policy or bond for the vehicle.

(C) The policy or bond number, and the effective date and expiration date of the policy or bond.

(D) A statement from the insurance company or surety company that the policy or bond meets the requirements of Section 16056 or 16500.5 and is a commercial or fleet policy. For vehicles registered



pursuant to Article 9.5 (commencing with Section 5300) or Article 4 (commencing with Section 8050) of Chapter 4, one form may be submitted per fleet as specified by the department.

(3) (A) The director may authorize an insurer to issue a form that does not conform to paragraph (1) or (2) if the director does all of the following:

(i) Determines that the entity issuing the alternate form is or will begin reporting the insurance information required under paragraph (1) or (2) to the department through electronic transmission.

(ii) Determines that use of the alternate form furthers the interests of the state by enhancing the enforcement of the state's financial responsibility laws.

(iii) Approves the contents of the alternate form as providing an adequate means for persons to prove compliance with the financial responsibility laws.

(B) The director may authorize the use of the alternate form in lieu of the forms otherwise required under paragraph (1) or (2) for a period of four years or less and may renew that authority for additional periods of four years or less.

(4) In lieu of evidence of insurance as described in paragraphs (1), (2), and (3), one of the following documents as evidence of coverage under an alternative form of financial responsibility may be provided by the applicant:

(A) An evidence form, as specified by the department, that indicates either a certificate of self-insurance or an assignment of deposit letter has been issued by the department pursuant to Sections 16053 or 16054.2.

(B) An insurance covering note or binder pursuant to Section 382 or 382.5 of the Insurance Code.

(C) An evidence form that indicates coverage is provided by a charitable risk pool operating under Section 5005.1 of the Corporations Code, if the registered owner of the vehicle is a nonprofit organization that is exempt from taxation under paragraph (3) of subsection (c) of Section 501 of the United States Internal Revenue Code. The evidence form shall include:



(1) The name and address of the vehicle owner or fleet operator.

(2) The name and address of the charitable risk pool providing the policy for the vehicle.

(3) The policy number, and the effective date and expiration date of the policy.

(4) A statement from the charitable risk pool that the policy meets the requirements of subdivision (b) of Section 16054.2.

(b) This section does not apply to any of the following:

(1) A vehicle for which a certification has been filed pursuant to Section 4604, until the vehicle is registered for operation upon the highway.

(2) A vehicle that is owned or leased by, or under the direction of, the United States or any public entity that is included in Section 811.2 of the Government Code.

(3) A vehicle registration renewal application where there is a change of registered owner.

(4) A vehicle for which evidence of liability insurance information has been electronically filed with the department.

SEC. 1.5. Section 4000.37 of the Vehicle Code is amended to read:

4000.37. (a) Upon application for renewal of registration of a motor vehicle, the department shall require that the applicant submit either a form approved by the department, but issued by the insurer, as specified in paragraph (1), (2), or (3), or any of the items specified in paragraph (4), as evidence that the applicant is in compliance with the financial responsibility laws of this state.

(1) For vehicles covered by private passenger automobile liability policies and having coverage as described in subdivisions (a) and (b) of Section 660 of the Insurance Code, or policies and coverages for private passenger automobile policies as described in subdivisions (a) and (b) of that section and issued by an automobile assigned risk plan, the form shall include all of the following:



(A) The primary name of the insured covered by the policy or the vehicle owner, or both.

(B) The year, make, and vehicle identification number of the vehicle.

(C) The name, the National Association of Insurance Commissioners (NAIC) number, and the address of the insurance company or surety company providing a policy or bond for the vehicle.

(D) The policy or bond number, and the effective date and expiration date of that policy or bond.

(E) A statement from the insurance company or surety company that the policy or bond meets the requirements of Section 16056 or 16500.5. For the purposes of this section, policies described in Sections 11629.71 and 11629.91 of the Insurance Code are deemed to meet the requirements of Section 16056.

(2) For vehicles covered by commercial or fleet policies, and not private passenger automobile liability policies, as described in paragraph (1), the form shall include all of the following:

(A) The name and address of the vehicle owner or fleet operator.

(B) The name, the NAIC number, and the address of the insurance company or surety company providing a policy or bond for the vehicle.

(C) The policy or bond number, and the effective date and expiration date of the policy or bond.

(D) A statement from the insurance company or surety company that the policy or bond meets the requirements of Section 16056 or 16500.5 and is a commercial or fleet policy. For vehicles registered pursuant to Article 9.5 (commencing with Section 5300) or Article 4 (commencing with Section 8050) of Chapter 4, one form may be submitted per fleet as specified by the department.

(3) (A) The director may authorize an insurer to issue a form that does not conform to paragraph (1) or (2) if the director does all of the following:

(i) Determines that the entity issuing the alternate form is or will begin reporting the insurance information



required under paragraph (1) or (2) to the department through electronic transmission.

(ii) Determines that use of the alternate form furthers the interests of the state by enhancing the enforcement of the state's financial responsibility laws.

(iii) Approves the contents of the alternate form as providing an adequate means for persons to prove compliance with the financial responsibility laws.

(B) The director may authorize the use of the alternate form in lieu of the forms otherwise required under paragraph (1) or (2) for a period of four years or less and may renew that authority for additional periods of four years or less.

(4) In lieu of evidence of insurance as described in paragraphs (1), (2), and (3), one of the following documents as evidence of coverage under an alternative form of financial responsibility may be provided by the applicant:

(A) An evidence form, as specified by the department, that indicates either a certificate of self-insurance or an assignment of deposit letter has been issued by the department pursuant to Section 16053 or 16054.2.

(B) An insurance covering note or binder pursuant to Section 382 or 382.5 of the Insurance Code.

(C) An evidence form that indicates coverage is provided by a charitable risk pool operating under Section 5005.1 of the Corporations Code, if the registered owner of the vehicle is a nonprofit organization that is exempt from taxation under paragraph (3) of subsection (c) of Section 501 of the United States Internal Revenue Code. The evidence form shall include:

(1) The name and address of the vehicle owner or fleet operator.

(2) The name and address of the charitable risk pool providing the policy for the vehicle.

(3) The policy number, and the effective date and expiration date of the policy.

(4) A statement from the charitable risk pool that the policy meets the requirements of subdivision (b) of Section 16054.2.





(b) This section does not apply to any of the following:

(1) A vehicle for which a certification has been filed pursuant to Section 4604, until the vehicle is registered for operation upon the highway.

(2) A vehicle that is owned or leased by, or under the direction of, the United States or any public entity that is included in Section 811.2 of the Government Code.

(3) A vehicle registration renewal application where there is a change of registered owner.

(4) A vehicle for which evidence of liability insurance information has been electronically filed with the department.

SEC. 2. Section 5604.5 is added to the Vehicle Code, to read:

5604.5. (a) Every dealer who, upon transferring by sale, lease, or otherwise, any new or used vehicle of a type subject to registration, requires the transferee to insure the motor vehicle shall, if the required insurance policy is sold by that dealer at the time of the transfer and the policy does not insure the transferee against damages resulting from ownership or operation of the vehicle arising by reason of personal injury or death of any person, or from damage to property, notify the transferee of that fact in writing on a document other than the insurance policy. The document shall be signed by the transferee and an exact copy shall be furnished to the transferee by the dealer at the time of signature.

(b) The document required under subdivision (a) shall contain a notice in English and Spanish in at least 10-point type that reads as follows:

“INSURANCE WARNING

The motor vehicle physical damage insurance policy you are buying does not allow you to legally drive on the streets of California. Generally, in order to legally drive on the streets of California, you must either purchase a type of insurance called “liability insurance” or deposit a bond with the Department of Motor Vehicles. If you drive this or any other motor vehicle without liability insurance



or a bond, a police officer may request evidence of liability insurance or a bond at the time of a traffic stop. If you do not have evidence of liability insurance or a bond during a traffic stop, the fines can be from several hundreds of dollars to an amount that exceeds \$1,000. If you get into an accident and do not have liability insurance or a bond, you will lose your driver's license for one year. If you cause the accident and do not have liability insurance or a bond, you may have to pay the injured person yourself and these costs may be substantial.

Liability insurance as well as the insurance needed to obtain a loan for your motor vehicle may be purchased through a licensed insurance agent or broker. The price for both types of insurance may be more or less than the price for the insurance you are being offered by the dealer. The State of California advises you to shop for insurance because prices may vary substantially.

I have read this notice and understand that I am about to buy a type of insurance that is available elsewhere and that does not allow me to drive the motor vehicle legally on the streets of California.

I also understand that if I drive on the streets of California without liability insurance or a bond, then I may be subject to severe financial penalties, including fines and personal payment for any damage to others that I may cause while driving.

(Spanish translation of the above text to be developed by the Department of Motor Vehicles and to be inserted below the above English version text)

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_”

(c) The department shall also make available a translation of the Insurance Warning notice set forth in subdivision (b) in any of the languages used in the most recent statewide voter pamphlet.



SEC. 3. Section 1.5 of this bill incorporates amendments to Section 4000.37 of the Vehicle Code proposed by both this bill and SB 1403. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2001, (2) each bill amends Section 4000.37 of the Vehicle Code, and (3) this bill is enacted after SB 1403, in which case Section 1 of this bill shall not become operative.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Approved \_\_\_\_\_, 2000

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*Governor*

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